

VILLAGE OF JONESVILLE

AUDIT REPORT

JUNE 30, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1966, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF JONESVILLE	County HILLSDALE
Fiscal Year End 6-30-2006	Opinion Date 11-8-2006	Date Audit Report Submitted to State 11-16-2006	

We affirm that:

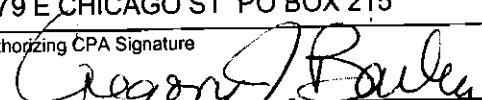
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No letter issued	
Other (Describe)	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) BAILEY, HODSHIRE & COMPANY, PC		Telephone Number (517) 849-2410	
Street Address 479 E CHICAGO ST PO BOX 215		City JONESVILLE	State MI
Zip 49250		License Number 1101022915	
Authorizing CPA Signature 		Printed Name GREGORY J. BAILEY	

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Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Jonesville
Jonesville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Jonesville, as of and for the year ended June 30, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Jonesville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

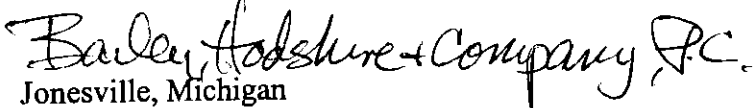
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Jonesville, as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2006, on our consideration of Village of Jonesville's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Village Council
Village of Jonesville

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and pages 32 through 34, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Jonesville's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Village of Jonesville. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


Jonesville, Michigan
November 8, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2006

Introduction

The Village of Jonesville (Village) implemented GASB 34 requirements with 2004's audit. GASB 34 was adopted by the Governmental Accounting Standards Board (GASB) in their *Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June, 1999.

This section of the annual financial report presents management's discussion and analysis of the Village's financial performance during the year ended June 30, 2006. Please read it in conjunction with the Village's financial statements, which immediately follow this section.

Financial Highlights

- The Village's assets exceeded its liabilities by \$9,391,142 (net assets) at the close of this fiscal year. Net assets at the beginning of the fiscal year totaled \$7,810,240, showing an increase of \$1,580,902 during the current year.
- The Village's governmental funds reported total ending fund balance of \$1,867,946, of which \$1,809,175 is unreserved and undesignated and available for spending at the Village's discretion. This compares to the prior year ending fund balance of \$1,801,969, showing a \$65,977 increase during the current year.
- At the end of the current year, unreserved fund balance for the General Fund was \$906,430, or 83% of total General Fund expenditures. This is an increase of \$29,308 over last year's ending fund balance.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the Village's basic financial statements. The basic financial statements include: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Village also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, similar to that found in private sector business.

Statement of Net Assets - This statement presents information of all of the Village's assets and liabilities, with the difference being reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator as to whether the Village's financial position as a whole is improving or deteriorating.

Statement of Activities - This reports how the Village's net assets changed during the fiscal year. All current year revenues and expenses are included regardless of when the cash is received or paid. An important purpose of this statement is to show the financial reliance of the Village's distinct activities or functions on revenues provided by the taxpayers.

Both of the above statements distinguish governmental activities from business-type activities. Governmental activities include general government, public safety, public services, zoning, and recreation, and are principally supported by property taxes and revenues from other governments. Business-type activities include water and sewer, and are intended to recover all or a significant portion of their costs through user fees and charges.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2006

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the Village's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, these statements report short-term fiscal accountability focusing on the use of expendable resources during the year and balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide reconciliations to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included as required supplementary information for the general fund and major special revenue funds. These statements and schedules demonstrate compliance with the Village's adopted and final revised budget.

Proprietary Funds generally report services for which the Village charges customers a fee. There are two types of proprietary funds: Enterprise Funds and Internal Service Funds. Enterprise Funds are used to report functions presented as business-type activities, while Internal Service Funds primarily service the governmental unit and are included with governmental activities. The Water and Sewer Funds are Enterprise Funds, and the Motor Vehicle Pool is an Internal Service Fund.

Fiduciary Funds such as the imprest payroll fund are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund Village Programs.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Supplementary Information can be found immediately following the notes to the financial statements. This information includes statements for non-major governmental funds.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2006

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Village's financial position. The Village's assets exceeded its liabilities by \$9,391,142 (net assets) at the close of this fiscal year. Net assets at the beginning of the fiscal year totaled \$7,810,240, showing an increase of \$1,580,902 over the prior year. The following table provides a summary of the Village's net assets:

NET ASSETS

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Current Assets	\$ 2,197,785	\$ 2,121,918	\$ 1,336,272	\$ 1,286,452	\$ 3,534,057	\$ 3,408,370
Non-current Assets	<u>1,929,299</u>	<u>1,093,340</u>	<u>10,539,065</u>	<u>10,513,664</u>	<u>12,468,364</u>	<u>11,607,004</u>
Total Assets	<u>\$ 4,127,084</u>	<u>\$ 3,215,258</u>	<u>\$11,875,337</u>	<u>\$11,800,116</u>	<u>\$16,002,421</u>	<u>\$15,015,374</u>
Current Liabilities	\$ 131,683	\$ 103,188	\$ 250,617	\$ 706,028	\$ 382,300	\$ 809,216
Non-current Liabilities	<u>710,427</u>	<u>763,490</u>	<u>5,518,552</u>	<u>5,632,428</u>	<u>6,228,979</u>	<u>6,395,918</u>
Total Liabilities	<u>\$ 842,110</u>	<u>\$ 866,678</u>	<u>\$ 5,769,169</u>	<u>\$ 6,338,456</u>	<u>\$ 6,611,279</u>	<u>\$ 7,205,134</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	\$ 1,268,827	\$ 367,345	\$ 4,913,897	\$ 4,776,257	\$ 6,182,724	\$ 5,143,602
Restricted	58,771	57,009	536,347	499,553	595,118	556,562
Unrestricted	<u>1,957,376</u>	<u>1,924,226</u>	<u>655,924</u>	<u>185,850</u>	<u>2,613,300</u>	<u>2,110,076</u>
Total Net Assets	<u>\$ 3,284,974</u>	<u>\$ 2,348,580</u>	<u>\$ 6,106,168</u>	<u>\$ 5,461,660</u>	<u>\$ 9,391,142</u>	<u>\$ 7,810,240</u>
Total Liabilities and Net Assets	<u>\$ 4,127,084</u>	<u>\$ 3,215,258</u>	<u>\$11,875,337</u>	<u>\$11,800,116</u>	<u>\$16,002,421</u>	<u>\$15,015,374</u>

The Village reported positive balances in net assets for both governmental and business-type activities. Net assets increased \$936,394 for governmental activities and \$644,508 for business-type activities; therefore, the Village's overall financial position improved during fiscal year 2006.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2006

The following table reflects the change in net assets of the Village's governmental and business-type activities:

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Program Revenue						
Charges for Services	\$ 64,484	\$ 62,183	\$ 836,336	\$ 909,541	\$ 900,820	\$ 971,724
Operating Grants and Contributions	216,936	212,629	0	0	216,936	212,629
Capital Grants and Contributions	629,494	105,281	680,800	2,119,200	1,310,294	2,224,481
General Revenue						
Property Taxes	712,670	642,815	0	0	712,670	642,815
State Shared Revenue	236,700	238,556	0	0	236,700	238,556
Payments from Component Units	176,696	126,959	58,590	60,269	235,286	187,228
Other	<u>232,189</u>	<u>198,714</u>	<u>147,517</u>	<u>27,467</u>	<u>379,706</u>	<u>226,181</u>
Total Revenue	<u>\$ 2,269,169</u>	<u>\$ 1,587,137</u>	<u>\$ 1,723,243</u>	<u>\$ 3,116,477</u>	<u>\$ 3,992,412</u>	<u>\$ 4,703,614</u>
Expenses						
General Government	\$ 585,984	\$ 511,946	\$ 0	\$ 0	\$ 585,984	\$ 511,946
Public Safety	330,097	316,424	0	0	330,097	316,424
Public Improvements	13,377	13,960	0	0	13,377	13,960
Streets, Highways, Drains	179,828	196,386	0	0	179,828	196,386
Sanitation	7,123	2,794	0	0	7,123	2,794
Culture & Recreation	33,522	20,922	0	0	33,522	20,922
Interest on Long-Term Debt	35,203	38,198	0	0	35,203	38,198
Depreciation - Unallocated	147,641	115,725	0	0	147,641	115,725
Water Utility	0	0	315,994	320,379	315,994	320,379
Sewer Utility	<u>0</u>	<u>0</u>	<u>762,741</u>	<u>595,624</u>	<u>762,741</u>	<u>595,624</u>
Total Expenses	<u>\$ 1,332,775</u>	<u>\$ 1,216,355</u>	<u>\$ 1,078,735</u>	<u>\$ 916,003</u>	<u>\$ 2,411,510</u>	<u>\$ 2,132,358</u>
INCREASE IN NET ASSETS	<u>\$ 936,394</u>	<u>\$ 370,782</u>	<u>\$ 644,508</u>	<u>\$ 2,200,474</u>	<u>\$ 1,580,902</u>	<u>\$ 2,571,256</u>

Governmental Activities increased the Village's net assets by \$936,394, which represents a 153% increase over last year's change in net assets.

Revenues from governmental activities totaled \$2,269,169. Property tax revenue represented the largest portion of those revenues (31%), capital grants and contributions was 28%, and state shared revenue was 10% of the total.

The largest components of governmental activities' expenses were general government (44%), public safety (25%), and streets, highways, and drains (13%). General government consists of Village Council, Administration, Zoning, Planning, Motor Vehicle Pool, etc. Public safety includes police and fire.

Business-type Activities increased the Village's net assets by \$644,508, a 71% decrease from the previous year's change in net assets. Net assets will be used to repay debt on the sewer plant improvements, as well as planning for future improvements in the water and sewer systems. The increase in net assets is a result of the completion of the new sewer plant and the installation of the final new water loop. The Tractor Supply Company move from Hillsdale to Jonesville also resulted in an extension of water and sewer lines down South M-99.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2006

Governmental Funds - The focus of the Village's governmental funds is to provide information on short-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of June 30, 2006, the Village's governmental funds reported combined ending fund balances of \$1,867,946. Of this total, approximately 97% was unreserved, indicating availability for continuing Village service requirements. Although a substantial amount is unreserved, a portion of the fund balances has been designated for subsequent year's projects, such as the development of East Street, and other projects. Reserved fund balance represents the amount designated to repay debt through the Debt Service Fund.

The General Fund is the primary operating fund of the Village. At the end of the current fiscal year, the General Fund showed a very healthy fund balance of \$906,430. The other Major Governmental Funds include Major Streets and Local Streets. Non-major governmental funds included the Debt Service and State Highway funds. Of these funds, only Major Streets showed a decrease in fund balance (\$89,738) for the current fiscal year. This was due to the reconstruction of Adrian Street.

Proprietary Funds - The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The Village's proprietary funds consist of the Water Fund, Sewer Fund, and the Motor Vehicle Pool. Total net assets of the Water and Sewer Funds were \$6,106,168 at June 30, 2006, an improvement of \$644,508 over the previous fiscal year. The Motor Vehicle Pool's net assets at the end of this fiscal year were \$733,690, an improvement of \$13,300 over the previous fiscal year.

Major Governmental Funds Budgeting and Operating Highlights

General Fund – The difference between the original and final amended budget for the General Fund revenues was \$122,650, with the original budget being \$1,024,740, and the final budget being \$1,147,390. The difference between the two numbers includes an increase of \$12,400 in Charges and Fees, an increase of \$25,000 in Interest Earnings, and an increase of \$32,400 in Transfers from Component Units. The difference between the appropriations originally budgeted and the final appropriations budget was \$299,060 (\$1,459,110 vs. \$1,160,050). General government expenditures were decreased by \$357,720; public safety was increased by \$6,865; public improvements decreased by \$8,150; culture and recreation was increased by \$26,445 (due to G. Carl Fast Park improvements); fringe benefits was increased by \$18,400 (due to changes in personnel); insurance was increased by \$1,500 (property/liability/workers comp); and promotions was increased by \$10,300 (new Christmas decorations).

Major Streets – The difference between the original and final amended budget for Major Streets was due to the construction of Adrian Street. Grant Revenue increased \$400,000, and Street Construction expenditures increased \$514,635.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2006

Capital Asset and Debt Administration

Capital assets at year-end were as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Primary Government</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 35,204	\$ 17,689	\$ 2,061	\$ 2,061	\$ 37,265	\$ 19,750
Land Improvements	44,260	44,260	0	0	44,260	44,260
Buildings and Improvements	571,731	571,731	0	0	571,731	571,731
Facilities and Mains	0	0	14,019,924	6,614,489	14,019,924	6,614,489
Construction in Progress	0	0	0	7,102,987	0	7,102,987
Furniture and Equipment	463,996	424,223	449,604	449,604	913,600	873,827
Vehicles	968,854	981,647	8,138	8,138	976,992	989,785
Infrastructure	858,374	18,520	0	0	858,374	18,520
Less: Acc. Depreciation	<u>(1,013,120)</u>	<u>(964,730)</u>	<u>(3,940,662)</u>	<u>(3,663,615)</u>	<u>(4,953,782)</u>	<u>(4,628,345)</u>
Total Capital Assets, Net Of Depreciation	<u>\$ 1,929,299</u>	<u>\$ 1,093,340</u>	<u>\$10,539,065</u>	<u>\$10,513,664</u>	<u>\$12,468,364</u>	<u>\$11,607,004</u>

Bonds and contracts outstanding at year-end were as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Primary Government</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General Government	\$ 655,000	\$ 720,000	\$ 0	\$ 0	\$ 655,000	\$ 720,000
Revenue Bonds	0	0	4,462,000	4,539,000	4,462,000	4,539,000
County Contract	0	0	1,150,000	1,185,000	1,150,000	1,185,000
Total Long-Term Debt	<u>\$ 655,000</u>	<u>\$ 720,000</u>	<u>\$ 5,612,000</u>	<u>\$ 5,724,000</u>	<u>\$ 6,267,000</u>	<u>\$ 6,444,000</u>

Factors Bearing on the Village's Future

As homes continue to change hands in Jonesville, taxable values will continue to rise, increasing property tax revenues. There was no change in property tax millages for fiscal year 2006-07.

We continue to depend on state revenue sharing and investment income as major funding sources for the Village. As the state cuts our revenue, we will continue to strive to cut expenditures, and make our jobs as efficient as possible.

Since, for economic reasons, the Village decided not to pursue the renovation of the Village Hall, we are currently pursuing the purchase of a building to house the Police Department. In addition to operating costs, there will be some costs in the 2007 fiscal year reflecting the move into the new building, and the shift of administrative staff in the Village Hall into the space vacated by the Police Department.

Contacting the Village's Financial Management

This financial report is designed to provide a general overview of the Village of Jonesville's finances. Questions or comments concerning any of the information provided in this report should be addressed to Lenore Spahr, Finance Director, Village of Jonesville, 265 E. Chicago Street, Jonesville, Michigan 49250.

BASIC FINANCIAL STATEMENTS

VILLAGE OF JONESVILLE
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 158,298	\$ 208,801	\$ 367,099	\$ 205,875
Investments	1,860,313	1,110,484	2,970,797	919,645
Accounts Receivable	24,889	12,398	37,287	25,246
Due from Other Governmental Units	129,991	0	129,991	0
Inventory	0	3,212	3,212	0
Prepaid Expense	24,294	1,377	25,671	24
Total Current Assets	<u>\$ 2,197,785</u>	<u>\$ 1,336,272</u>	<u>\$ 3,534,057</u>	<u>\$ 1,150,790</u>
Noncurrent Assets				
Capital Assets				
Land	\$ 35,204	\$ 2,061	\$ 37,265	\$ 97,544
Land Improvements	44,260	0	44,260	0
Buildings & Improvements	571,731	0	571,731	0
Facilities & Mains	0	14,019,924	14,019,924	0
Furniture & Equipment	463,996	449,604	913,600	0
Vehicles	968,854	8,138	976,992	0
Infrastructure	858,374	0	858,374	135,251
Less: Accumulated Depreciation	<u>(1,013,120)</u>	<u>(3,940,662)</u>	<u>(4,953,782)</u>	<u>(4,508)</u>
Total Noncurrent Assets	<u>\$ 1,929,299</u>	<u>\$10,539,065</u>	<u>\$12,468,364</u>	<u>\$ 228,287</u>
Total Assets	<u>\$ 4,127,084</u>	<u>\$11,875,337</u>	<u>\$16,002,421</u>	<u>\$ 1,379,077</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 45,143	\$ 106,996	\$ 152,139	\$ 45,312
Salaries Payable	11,068	2,424	13,492	0
Customer Deposits	0	829	829	0
Interest Payable	5,472	22,368	27,840	0
Current Portion of Long-Term Debt	70,000	118,000	188,000	0
Total Current Liabilities	<u>\$ 131,683</u>	<u>\$ 250,617</u>	<u>\$ 382,300</u>	<u>\$ 45,312</u>
Noncurrent Liabilities				
Bonds, County Contract	\$ 585,000	\$ 5,494,000	\$ 6,079,000	\$ 0
Less: Bond Discount	0	(9,200)	(9,200)	0
Compensated Absences	125,427	33,752	159,179	0
Total Noncurrent Liabilities	<u>\$ 710,427</u>	<u>\$ 5,518,552</u>	<u>\$ 6,228,979</u>	<u>\$ 0</u>
Total Liabilities	<u>\$ 842,110</u>	<u>\$ 5,769,169</u>	<u>\$ 6,611,279</u>	<u>\$ 45,312</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ 1,268,827	\$ 4,913,897	\$ 6,182,724	\$ 228,287
Restricted for:				
Replacement	0	228,894	228,894	0
Debt Service	58,771	307,453	366,224	0
Unrestricted	<u>1,957,376</u>	<u>655,924</u>	<u>2,613,300</u>	<u>1,105,478</u>
Total Net Assets	<u>\$ 3,284,974</u>	<u>\$ 6,106,168</u>	<u>\$ 9,391,142</u>	<u>\$ 1,333,765</u>
Total Liabilities and Net Assets	<u>\$ 4,127,084</u>	<u>\$11,875,337</u>	<u>\$16,002,421</u>	<u>\$ 1,379,077</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 585,984	\$ 13,809	\$ 5,353	\$ 0	\$ (566,822)
Public Safety	330,097	42,690	0	6,671	(280,736)
Public Improvements	13,377	0	0	0	(13,377)
Streets, Highways, and Drains	179,828	0	211,583	622,823	654,578
Sanitation	7,123	0	0	0	(7,123)
Culture and Recreation	33,522	7,985	0	0	(25,537)
Interest on Long-Term Debt	35,203	0	0	0	(35,203)
Depreciation - Unallocated	147,641	0	0	0	(147,641)
Total Governmental Activities	<u>\$ 1,332,775</u>	<u>\$ 64,484</u>	<u>\$ 216,936</u>	<u>\$ 629,494</u>	<u>\$ (421,861)</u>
Business-type Activities:					
Water	\$ 315,994	\$ 295,933	\$ 0	\$ 0	\$ (20,061)
Sewer	762,741	540,403	0	680,800	458,462
Total Business-type Activities	<u>\$ 1,078,735</u>	<u>\$ 836,336</u>	<u>\$ 0</u>	<u>\$ 680,800</u>	<u>\$ 438,401</u>
Total Primary Government	<u>\$ 2,411,510</u>	<u>\$ 900,820</u>	<u>\$ 216,936</u>	<u>\$ 1,310,294</u>	<u>\$ 16,540</u>
Component Units:					
Downtown Development Authority	\$ 278,086	\$ 0	\$ 105,832	\$ 0	\$ (172,254)
Local Development Finance Authority	217,810	0	0	0	(217,810)
Total Component Units	<u>\$ 495,896</u>	<u>\$ 0</u>	<u>\$ 105,832</u>	<u>\$ 0</u>	<u>\$ (390,064)</u>

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Change in Net Assets:				
Net (Expense) Revenue	<u>\$ (421,861)</u>	<u>\$ 438,401</u>	<u>\$ 16,540</u>	<u>\$ (390,064)</u>
General Revenue:				
Property Taxes Levied for General Purposes	\$ 509,040	\$ 0	\$ 509,040	\$ 0
Property Taxes Levied for Local Streets	203,630	0	203,630	0
Property Taxes Captured	0	0	0	597,858
State Shared Revenue	236,700	0	236,700	0
Unrestricted Investment Income	73,841	35,380	109,221	22,414
Payments from Component Units	176,696	58,590	235,286	0
Miscellaneous	158,348	112,137	270,485	15,709
Total General Revenue	<u>\$ 1,358,255</u>	<u>\$ 206,107</u>	<u>\$ 1,564,362</u>	<u>\$ 635,981</u>
Change in Net Assets	<u>\$ 936,394</u>	<u>\$ 644,508</u>	<u>\$ 1,580,902</u>	<u>\$ 245,917</u>
Net Assets – Beginning*	<u>2,348,580</u>	<u>5,461,660</u>	<u>7,810,240</u>	<u>1,087,848</u>
Net Assets – Ending	<u>\$ 3,284,974</u>	<u>\$ 6,106,168</u>	<u>\$ 9,391,142</u>	<u>\$ 1,333,765</u>

*Restated – see Note 16

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 70,937	\$ 9,334	\$ 38,119	\$ 1,054	\$ 119,444
Investments	731,413	3,464	839,698	58,230	1,632,805
Accounts Receivable	13,526	0	2,141	0	15,667
Due from Other Funds	11,564	0	0	0	11,564
Due from Other Governmental Units	89,164	22,070	12,530	6,227	129,991
Prepaid Expense	<u>23,532</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,532</u>
Total Assets	<u>\$ 940,136</u>	<u>\$ 34,868</u>	<u>\$ 892,488</u>	<u>\$ 65,511</u>	<u>\$ 1,933,003</u>
LIABILITIES					
Accounts Payable	\$ 23,279	\$ 5,969	\$ 13,552	\$ 1,453	\$ 44,253
Due to Other Funds	1,920	3,287	1,300	3,687	10,194
Salaries Payable	<u>8,507</u>	<u>1,440</u>	<u>596</u>	<u>67</u>	<u>10,610</u>
Total Liabilities	<u>\$ 33,706</u>	<u>\$ 10,696</u>	<u>\$ 15,448</u>	<u>\$ 5,207</u>	<u>\$ 65,057</u>
FUND BALANCES					
Unreserved, reported in:					
General Fund	\$ 906,430	\$ 0	\$ 0	\$ 0	\$ 906,430
Special Revenue Funds	0	24,172	877,040	1,533	902,745
Reserved, reported in:					
Debt Retirement Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>58,771</u>	<u>58,771</u>
Total Fund Balances	<u>\$ 906,430</u>	<u>\$ 24,172</u>	<u>\$ 877,040</u>	<u>\$ 60,304</u>	<u>\$ 1,867,946</u>
Total Liabilities and Fund Balances	<u>\$ 940,136</u>	<u>\$ 34,868</u>	<u>\$ 892,488</u>	<u>\$ 65,511</u>	<u>\$ 1,933,003</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2006

Fund Balances - total governmental funds	\$ 1,867,946
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: Capital assets	2,942,419
Deduct: Accumulated depreciation	(1,013,120)
An Internal Service Fund is used by management to charge the cost of equipment and vehicle usage to individual funds. Assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	
Add: Internal Service Fund assets	275,258
Deduct: Internal Service Fund liabilities	(1,630)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct: Bonds and notes payable	(655,000)
Deduct: Accrued interest on bonds and notes payable	(5,472)
Deduct: Compensated absences	<u>(125,427)</u>
Net assets of governmental activities	<u>\$ 3,284,974</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General	Major Streets	Local Streets	Other Governmental Funds	Total Governmental Funds
REVENUE					
Property Taxes	\$ 509,040	\$ 0	\$ 203,630	\$ 0	\$ 712,670
Licenses and Permits	1,405	0	0	0	1,405
State Shared Revenue	236,700	133,659	42,085	0	412,444
METRO Act	0	6,072	1,939	0	8,011
Federal Grants	6,671	622,823	0	0	629,494
Charges and Fees	62,275	0	0	0	62,275
State Highway Contract	0	0	0	25,687	25,687
Recreation	16,449	0	0	0	16,449
Rents and Royalties	11,305	0	0	0	11,305
Contributions	5,353	0	2,141	0	7,494
Reimbursements	123,025	0	0	0	123,025
Interest	38,351	832	32,968	1,690	73,841
Transfers from Component Units	88,359	0	37,337	51,000	176,696
Miscellaneous	4,396	0	0	0	4,396
Total Revenue	<u>\$ 1,103,329</u>	<u>\$ 763,386</u>	<u>\$ 320,100</u>	<u>\$ 78,377</u>	<u>\$ 2,265,192</u>
EXPENDITURES					
General Government	\$ 273,840	\$ 0	\$ 0	\$ 0	\$ 273,840
Public Safety	370,014	0	0	0	370,014
Public Improvements	28,201	0	0	0	28,201
Streets, Highways, and Drains	22,522	907,724	79,340	24,204	1,033,790
Sanitation	7,123	0	0	0	7,123
Culture and Recreation	79,291	0	0	0	79,291
Fringe Benefits	281,033	0	0	0	281,033
Insurance	16,343	0	0	0	16,343
Promotions	12,831	0	0	0	12,831
Debt Service					
Principal	0	0	0	65,000	65,000
Interest	0	0	0	35,726	35,726
Total Expenditures	<u>\$ 1,091,198</u>	<u>\$ 907,724</u>	<u>\$ 79,340</u>	<u>\$ 124,930</u>	<u>\$ 2,203,192</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 12,131</u>	<u>\$(144,338)</u>	<u>\$ 240,760</u>	<u>\$ (46,553)</u>	<u>\$ 62,000</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	\$ 60,575	\$ 111,000	\$ 0	\$ 49,800	\$ 221,375
Operating Transfers Out	(43,398)	(56,400)	(117,600)	0	(217,398)
Other Transactions	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>\$ 17,177</u>	<u>\$ (54,600)</u>	<u>\$(117,600)</u>	<u>\$ 49,800</u>	<u>\$ 3,977</u>
NET CHANGE IN FUND BALANCES	\$ 29,308	\$(89,738)	\$ 123,160	\$ 3,247	\$ 65,977
FUND BALANCES - Beginning	877,122	113,910	753,880	57,057	1,801,969
FUND BALANCES - Ending	<u>\$ 906,430</u>	<u>\$ 24,172</u>	<u>\$ 877,040</u>	<u>\$ 60,304</u>	<u>\$ 1,867,946</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
Reconciliation of Statement of Revenue, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2006

Net changes in fund balances - total governmental funds \$ 65,977

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: Capital outlay	897,142
Deduct: Depreciation expense	(147,641)

An Internal Service Fund is used by management to charge the cost of equipment and vehicle usage to individual funds. Net revenue of the Internal Service Fund of \$72,330 (before depreciation) is reported with governmental activities in the statement of net assets. 72,330

Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Deduct: New debt issued	0
Add: Principal payments on long-term debt	65,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: Decrease in interest payable on long-term liabilities	523
Deduct: Increase in accrual for compensated absences	<u>(16,937)</u>

Change in net assets of governmental activities	<u><u>\$ 936,394</u></u>
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The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	<u>Enterprise Funds</u>		<u>Total</u>	<u>Internal</u>
	<u>Water</u>	<u>Sewer</u>	<u>Funds</u>	<u>Service</u>
				<u>Funds</u>
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 40,847	\$ 66,341	\$ 107,188	\$ 38,854
Investments	351,129	324,621	675,750	227,508
Accounts Receivable	4,536	7,862	12,398	702
Due from Other Funds	0	0	0	7,432
Inventory	1,769	1,443	3,212	0
Prepaid Expense	225	1,152	1,377	762
Total Current Assets	<u>\$ 398,506</u>	<u>\$ 401,419</u>	<u>\$ 799,925</u>	<u>\$ 275,258</u>
Restricted Assets				
Bond Interest and Redemption Accounts	\$ 24,676	\$ 132,572	\$ 157,248	\$ 0
Bond Reserve Accounts	40,037	110,168	150,205	0
Replacement Accounts	31,030	197,864	228,894	0
Total Restricted Assets	<u>\$ 95,743</u>	<u>\$ 440,604</u>	<u>\$ 536,347</u>	<u>\$ 0</u>
Noncurrent Assets				
Capital Assets - Not Depreciated	\$ 2,061	\$ 0	\$ 2,061	\$ 0
Other Capital Assets, Net of Accumulated Depreciation	1,993,538	8,543,466	10,537,004	460,062
Total Noncurrent Assets	<u>\$ 1,995,599</u>	<u>\$ 8,543,466</u>	<u>\$ 10,539,065</u>	<u>\$ 460,062</u>
Total Assets	<u>\$ 2,489,848</u>	<u>\$ 9,385,489</u>	<u>\$ 11,875,337</u>	<u>\$ 735,320</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 89,675	\$ 8,801	\$ 98,476	\$ 890
Accrued Payroll	426	1,998	2,424	458
Due to Other Funds	2,942	5,578	8,520	282
Customer Deposits	377	452	829	0
Total Current Liabilities	<u>\$ 93,420</u>	<u>\$ 16,829</u>	<u>\$ 110,249</u>	<u>\$ 1,630</u>
Liabilities Payable from Restricted Assets				
Accrued Interest Payable	\$ 15,618	\$ 6,750	\$ 22,368	\$ 0
Revenue Bonds - Current	20,000	63,000	83,000	0
Contract Payable - Current	35,000	0	35,000	0
Total Liabilities Payable from Restricted Assets	<u>\$ 70,618</u>	<u>\$ 69,750</u>	<u>\$ 140,368</u>	<u>\$ 0</u>
Noncurrent Liabilities				
Contract Payable	\$ 1,115,000	\$ 0	\$ 1,115,000	\$ 0
Less: Bond Discount	(9,200)	0	(9,200)	0
Revenue Bonds Payable	189,000	4,190,000	4,379,000	0
Compensated Absences	9,284	24,468	33,752	0
Total Noncurrent Liabilities	<u>\$ 1,304,084</u>	<u>\$ 4,214,468</u>	<u>\$ 5,518,552</u>	<u>\$ 0</u>
Total Liabilities	<u>\$ 1,468,122</u>	<u>\$ 4,301,047</u>	<u>\$ 5,769,169</u>	<u>\$ 1,630</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ 630,181	\$ 4,283,716	\$ 4,913,897	\$ 460,062
Restricted by Bond Covenants	95,743	440,604	536,347	0
Unrestricted	295,802	360,122	655,924	273,628
Total Net Assets	<u>\$ 1,021,726</u>	<u>\$ 5,084,442</u>	<u>\$ 6,106,168</u>	<u>\$ 733,690</u>
Total Liabilities and Net Assets	<u>\$ 2,489,848</u>	<u>\$ 9,385,489</u>	<u>\$ 11,875,337</u>	<u>\$ 735,320</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Enterprise Funds</u>		<u>Total</u> <u>Enterprise</u> <u>Funds</u>	<u>Internal</u> <u>Service</u> <u>Funds</u>
	<u>Water</u>	<u>Sewer</u>		
OPERATING REVENUE				
Sales	\$ 271,309	\$ 539,403	\$ 810,712	\$ 0
Connections Fees	600	1,000	1,600	0
Rental	24,024	0	24,024	79,917
Other	6,799	64,338	71,137	7,864
Total Operating Revenue	<u>\$ 302,732</u>	<u>\$ 604,741</u>	<u>\$ 907,473</u>	<u>\$ 87,781</u>
OPERATING EXPENSES				
Sewage Disposal	\$ 0	\$ 340,578	\$ 340,578	\$ 0
Water Plant Operation	66,806	0	66,806	0
Water Distribution Expenses	71,752	0	71,752	0
Depreciation	79,758	197,288	277,046	59,030
Motor Vehicle Expense	0	0	0	83,408
Total Operating Expenses	<u>\$ 218,316</u>	<u>\$ 537,866</u>	<u>\$ 756,182</u>	<u>\$ 142,438</u>
OPERATING INCOME (LOSS)	<u>\$ 84,416</u>	<u>\$ 66,875</u>	<u>\$ 151,291</u>	<u>\$ (54,657)</u>
NON-OPERATING REVENUE (EXPENSES)				
Interest Income	\$ 11,928	\$ 23,452	\$ 35,380	\$ 7,357
Interest Expense	(75,178)	(195,000)	(270,178)	0
Total Non-operating Revenue (Expense)	<u>\$ (63,250)</u>	<u>\$ (171,548)</u>	<u>\$ (234,798)</u>	<u>\$ 7,357</u>
Income (Loss) Before Contributions and Transfers	<u>\$ 21,166</u>	<u>\$ (104,673)</u>	<u>\$ (83,507)</u>	<u>\$ (47,300)</u>
CONTRIBUTIONS AND TRANSFERS				
Federal Grants Received	\$ 0	\$ 680,800	\$ 680,800	\$ 0
Contributions from Component Units	58,590	0	58,590	0
Contributions from Other Governments	0	0	0	12,202
Reimbursements	13,940	27,060	41,000	0
Transfers From Other Funds	0	0	0	48,398
Transfers To Other Funds	(22,500)	(29,875)	(52,375)	0
Total Contributions and Transfers	<u>\$ 50,030</u>	<u>\$ 677,985</u>	<u>\$ 728,015</u>	<u>\$ 60,600</u>
CHANGE IN NET ASSETS	<u>\$ 71,196</u>	<u>\$ 573,312</u>	<u>\$ 644,508</u>	<u>\$ 13,300</u>
NET ASSETS – Beginning*	<u>950,530</u>	<u>4,511,130</u>	<u>5,461,660</u>	<u>720,390</u>
NET ASSETS - Ending	<u><u>\$1,021,726</u></u>	<u><u>\$ 5,084,442</u></u>	<u><u>\$ 6,106,168</u></u>	<u><u>\$ 733,690</u></u>

*Sewer beginning balance restated – See note 16

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 294,599	\$ 541,359	\$ 835,958	\$ 78,080
Cash payments to suppliers for goods and services	(19,206)	(212,767)	(231,973)	(51,590)
Cash payments to employees and professional contractors for services	(35,506)	(126,652)	(162,158)	(31,275)
Other operating revenue	6,799	64,338	71,137	7,864
Net cash provided (used) by operating activities	<u>\$ 246,686</u>	<u>\$ 266,278</u>	<u>\$ 512,964</u>	<u>\$ 3,079</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Contributions from Component Units	\$ 58,590	\$ 0	\$ 58,590	\$ 0
Contributions from other governments	0	0	0	12,202
Reimbursements	13,940	27,060	41,000	0
Transfers from other funds	0	0	0	48,398
Transfers to other funds	(22,500)	(29,875)	(52,375)	0
Net cash provided (used) by non-capital financing activities	<u>\$ 50,030</u>	<u>\$ (2,815)</u>	<u>\$ 47,215</u>	<u>\$ 60,600</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	\$ (111,582)	\$ (733,701)	\$ (845,283)	\$ (89,098)
Principal paid on bonds	(55,000)	(57,000)	(112,000)	0
Interest paid on bonds	(75,178)	(195,000)	(270,178)	0
Capital grants received	0	680,800	680,800	0
Net cash provided (used) by capital and related financing activities	<u>\$ (241,760)</u>	<u>\$ (304,901)</u>	<u>\$ (546,661)</u>	<u>\$ (89,098)</u>
CASH FLOWS FORM INVESTING ACTIVITIES				
Investment income	\$ 11,928	\$ 23,452	\$ 35,380	\$ 7,357
Net cash provided (used) by investment activities	<u>\$ 11,928</u>	<u>\$ 23,452</u>	<u>\$ 35,380</u>	<u>\$ 7,357</u>
NET INCREASE (DECREASE) IN CASH	\$ 66,884	\$ (17,986)	\$ 48,898	\$ (18,062)
CASH - Beginning	<u>420,835</u>	<u>849,552</u>	<u>1,270,387</u>	<u>284,424</u>
CASH - Ending	<u>\$ 487,719</u>	<u>\$ 831,566</u>	<u>\$ 1,319,285</u>	<u>\$ 266,362</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 84,416	\$ 66,875	\$ 151,291	\$ (54,657)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	79,758	197,288	277,046	59,030
Amortization of bond discount	920	0	920	0
Loss on sale of equipment	0	0	0	2,640
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(1,334)	956	(378)	(635)
(Increase) decrease in due from other funds	0	0	0	(1,202)
(Increase) decrease in inventories	(715)	239	(476)	0
(Increase) decrease in prepaid expense	86	(154)	(68)	(24)
Increase (decrease) in accounts payable	86,443	(890)	85,553	(620)
Increase (decrease) in wages and benefits payable	(129)	248	119	301
Increase (decrease) in due to other funds	(2,887)	168	(2,719)	(1,754)
Increase (decrease) in customer deposits	(223)	(148)	(371)	0
Increase (decrease) in accrued interest	(783)	(375)	(1,158)	0
Increase (decrease) in compensated absences	1,134	2,071	3,205	0
Net cash provided (used) by operating activities	<u>\$ 246,686</u>	<u>\$ 266,278</u>	<u>\$ 512,964</u>	<u>\$ 3,079</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2006

ASSETS	
Cash	<u>\$ 608</u>
LIABILITIES	
Payroll deductions withheld	<u>\$ 608</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2006

	<u>DDA</u>	<u>LDFA</u>	<u>Total Component Units</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 85,792	\$ 120,083	\$ 205,875
Investments	366,705	552,940	919,645
Accounts Receivable	4,176	21,070	25,246
Prepaid Expense	<u>24</u>	<u>0</u>	<u>24</u>
Total Current Assets	<u>\$ 456,697</u>	<u>\$ 694,093</u>	<u>\$ 1,150,790</u>
Noncurrent Assets			
Capital Assets			
Land	\$ 0	\$ 97,544	\$ 97,544
Infrastructure	135,251	0	135,251
Less: Accumulated Depreciation	<u>(4,508)</u>	<u>0</u>	<u>(4,508)</u>
Total Noncurrent Assets	<u>\$ 130,743</u>	<u>\$ 97,544</u>	<u>\$ 228,287</u>
Total Assets	<u>\$ 587,440</u>	<u>\$ 791,637</u>	<u>\$ 1,379,077</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	<u>\$ 13,752</u>	<u>\$ 31,560</u>	<u>\$ 45,312</u>
NET ASSETS			
Invested in Capital Assets,			
Net of Related Debt	\$ 130,743	\$ 97,544	\$ 228,287
Unrestricted	<u>442,945</u>	<u>662,533</u>	<u>1,105,478</u>
Total Net Assets	<u>\$ 573,688</u>	<u>\$ 760,077</u>	<u>\$ 1,333,765</u>
Total Liabilities and Net Assets	<u>\$ 587,440</u>	<u>\$ 791,637</u>	<u>\$ 1,379,077</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>DDA</u>	<u>LDFA</u>	Total Component Units
EXPENSES	\$ 278,086	\$ 0	\$ 278,086
Downtown Development	<u>0</u>	<u>217,810</u>	<u>217,810</u>
Industrial Development	\$ 278,086	\$ 217,810	\$ 495,896
Total Expenses			
PROGRAM REVENUE	\$ 0	\$ 0	\$ 0
Charges for Services	<u>105,832</u>	<u>0</u>	<u>105,832</u>
Federal Grant	\$ 105,832	\$ 0	\$ 105,832
Total Program Revenue			
NET (EXPENSE) REVENUE	<u>\$(172,254)</u>	<u>\$(217,810)</u>	<u>\$ (390,064)</u>
GENERAL REVENUE	\$ 281,052	\$ 316,806	\$ 597,858
Property Taxes Captured	<u>0</u>	<u>6,000</u>	<u>6,000</u>
Land Rent	8,793	13,621	22,414
Investment Income	<u>0</u>	<u>9,709</u>	<u>9,709</u>
Other Income	\$ 289,845	\$ 346,136	\$ 635,981
Total General Revenue			
CHANGE IN NET ASSETS	\$ 117,591	\$ 128,326	\$ 245,917
NET ASSETS - Beginning	<u>456,097</u>	<u>631,751</u>	<u>1,087,848</u>
NET ASSETS - Ending	<u>\$ 573,688</u>	<u>\$ 760,077</u>	<u>\$ 1,333,765</u>

See Note 1 for descriptions of component units shown in column headings

See accompanying notes to the basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Jonesville comprises a population of approximately 2,337 residents in Hillsdale County, Michigan. It is governed by a seven-member council with a president as its head. As required by generally accepted accounting principles, these financial statements present the Village's primary government and component units over which the Village exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationship with the Village (as distinct from legal relationships).

The following component units are reported in the Village's financial statements:

- The Local Development Finance Authority (LDFA) was created under Public Act 281 of 1986 of the State of Michigan. The LDFA's purpose is to work towards the elimination of the causes of unemployment, underemployment and joblessness, and to promote economic growth in the Village of Jonesville.
- The Downtown Development Authority (DDA) was created under Public Act 197 of 1975 of the State of Michigan. The DDA's purpose is to eliminate the causes of deterioration of property values in the business district of the Village and to promote economic growth.

The Village appoints the majority of the Boards of Directors of the LDFA and DDA. The budgets of both entities require the Village's approval, and their main revenue source (tax increment financing) is a financial burden to the Village.

The accounting policies of Village of Jonesville conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of significant accounting policies used by Village of Jonesville:

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The statement of net assets and the statement of activities display financial information about the Village as a whole, excluding fiduciary activities. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by property taxes and Village general revenue, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Village's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, State Revenue Sharing, and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Village.

Fund Financial Statements - Fund financial statements report detailed information about the Village. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

The financial statements of the Village are prepared in accordance with generally accepted accounting principles (GAAP). The Village applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Village does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Village departments. Proprietary fund and component unit financial statements also report using this same focus and basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is to be collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Under the modified accrual basis, property taxes, State revenue sharing, interest, and grants are considered to be both measurable and available at fiscal year-end. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Operating income reported in proprietary fund financial statements includes revenue and expenses related to the primary, continuing operations of the fund. Principal operating revenue for proprietary funds is charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenue and expenses are classified as non-operating in the financial statements.

Financial Statement Presentation

The Village uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Village functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The Village reports the following major governmental funds:

General Fund - used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the laws of the State of Michigan.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special Revenue Funds - used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes (i.e. Major Streets, Local Streets, and State Highway).

The Village reports the following major enterprise funds:

Water Utilities Fund - accounts for the operating activities of the Village's water utilities services.

Sewer Utilities Fund - accounts for the operating activities of the Village's sewer utilities services.

Additionally, the Village reports the following fund types:

Debt Retirement Fund - used to account for the accumulation of resources for and the payment of principal and interest on the Village's general obligation debt.

Internal Service Fund - accounts for the financing of goods and services provided by one department to other departments within the Village on a cost-reimbursement basis (i.e. equipment and vehicle usage). This is a proprietary fund reported with governmental activities in the government-wide statements.

Agency Fund - accounts for fiduciary assets held by the Village in a custodial capacity as an agent on behalf of others (i.e. employee payroll deductions).

Assets, Liabilities, and Net Assets

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less. Investments in this account are stated at cost which equals market value.

Inventories - Inventories are stated at cost, which approximates market, using the first-in/first-out method.

Capital Assets - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Proprietary and component unit capital assets are also reported in their respective fund and combining component unit's financial statements. The Village has opted to delay retroactive infrastructure reporting as allowed by GASB 34.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Village maintains a capitalization threshold of \$1,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings & Improvements	0 - 50 years
Furniture & Equipment	5 - 20 years
Vehicles	5 years
Infrastructure	20 - 30 years

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences (Vacation and Sick Leave) - It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Vacation and sick leave are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation, retirement, or death.

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are reported as "due to/from other funds." These amounts are eliminated on the government-wide statement of net assets.

Long-Term Obligations - In the government-wide financial statements, all payables, accrued liabilities and long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt retirement expenditures.

Fund Balance - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Interfund Activity - Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Village Council at the function level. Any budgetary modifications may only be made by resolution of the Village Council. All annual appropriations lapse at fiscal year end.

The Village follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements:

- 1) Prior to June 30, the Village Manager submits to the Village Council a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the Village, transfer of appropriations may be made by the authorization of the Village Manager. Such transfers appropriations must be approved by the Village Council at its next regularly scheduled meeting.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

- 5) The Village Manager is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

NOTE 3 - DEPOSITS AND INVESTMENTS

State of Michigan laws authorize the Village to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Village's investment policy puts no further limits on its investment choices.

Deposits

Following are the components of the Village's bank deposits at June 30, 2006:

Cash on hand	\$ 450
Checking and savings accounts	603,124
Certificates of deposit	<u>187,427</u>
	<u>\$ 791,001</u>

Investments

Following are the components of the Village's investments at June 30, 2006:

Fifth Third Bank Government Money Market	\$ 1,804,614
Federated Automated Government Money Trust	973,628
MBIA CLASS Investment Pool	<u>894,173</u>
	<u>\$ 3,672,415</u>

Interest Rate Risk - In accordance with its investment policy, the Village manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools that limit the average maturity in accordance with the Village's cash requirements.

Credit Risk - The Village minimizes credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in its investment policy. As of June 30, 2006, the Village's investment in the Fifth Third Bank Government Money Market was rated AAAM by Standard & Poor's, the MBIA CLASS Investment Pool was rated AAA/V1+ by Fitch, and the Federated Automated Government Money Trust was not rated .

Concentration of credit risk - The Village does not have limits on the amount the Village may deposit in any one issuer.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Custodial credit risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the Village's deposits may not be returned to. Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2006, the carrying amount of the Village's deposits was \$791,001 and the bank balance was \$837,798. Of the bank balance, \$231,140 was covered by federal depository insurance and \$606,658 was uninsured. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Foreign currency risk – The Village is not authorized to invest in investments which have this type of risk.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2006, consist of State revenue sharing, State highway contract revenue, utility and other receivables. All receivables are considered collectible in full due to the ability to lien for the nonpayment of utility bills and the stable condition of State programs.

A summary of the principal items of receivables follows:

	General	Major	Local	Other		
	<u>Fund</u>	<u>Street</u>	<u>Street</u>	Governmental	Proprietary	<u>Total</u>
State Revenue Sharing	\$ 75,226	\$ 22,070	\$ 6,949	\$ 0	\$ 0	\$ 104,245
State Highway Contract	0	0	0	6,227	0	6,227
Utility customers	0	0	0	0	12,398	12,398
Other Receivables	27,464	0	7,722	0	702	35,888
Total	<u>\$102,690</u>	<u>\$ 22,070</u>	<u>\$ 14,671</u>	<u>\$ 6,227</u>	<u>\$ 13,100</u>	<u>\$ 158,758</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
PRIMARY GOVERNMENT				
<u>Governmental Activities</u>				
Capital assets not being depreciated				
Land	\$ 17,689	\$ 17,515	\$ 0	\$ 35,204
Capital assets being depreciated				
Land Improvements	\$ 44,260	\$ 0	\$ 0	\$ 44,260
Buildings & Improvements	571,731	0	0	571,731
Furniture & Equipment	424,223	39,773	0	463,996
Vehicles	981,647	90,598	(103,391)	968,854
Infrastructure*	18,520	839,854	0	858,374
Less accumulated depreciation	<u>(964,730)</u>	<u>(147,641)</u>	<u>99,251</u>	<u>(1,013,120)</u>
Total capital assets				
being depreciated, net	<u>\$ 1,075,651</u>	<u>\$ 822,584</u>	<u>\$ (4,140)</u>	<u>\$ 1,894,095</u>
Total capital assets, net	<u>\$ 1,093,340</u>	<u>\$ 840,099</u>	<u>\$ (4,140)</u>	<u>\$ 1,929,299</u>

*Beginning balance restated - see Note 16

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 5 - CAPITAL ASSETS (continued)

Business-Type Activities

Capital assets not being depreciated

Land	\$ 2,061	\$ 0	\$ 0	\$ 2,061
Construction in Progress	<u>7,102,987</u>	<u>0</u>	<u>(7,102,987)</u>	<u>0</u>
Total capital assets not being depreciated	<u>\$ 7,105,048</u>	<u>\$ 0</u>	<u>\$(7,102,987)</u>	<u>\$ 2,061</u>

Capital assets being depreciated

Facilities & Mains	\$ 6,632,750	\$ 7,387,174	\$ 0	\$14,019,924
Machinery & Equipment	431,343	18,261	0	449,604
Vehicles	8,138	0	0	8,138
Less accumulated depreciation	<u>(3,663,615)</u>	<u>(277,047)</u>	<u>0</u>	<u>(3,940,662)</u>
Total capital assets being depreciated, net	<u>\$ 3,408,616</u>	<u>\$ 7,128,388</u>	<u>\$ 0</u>	<u>\$10,537,004</u>
Total capital assets, net	<u>\$10,513,664</u>	<u>\$ 7,128,388</u>	<u>\$(7,102,987)</u>	<u>\$10,539,065</u>

PRIMARY GOVERNMENT

Total capital assets, net	<u>\$11,607,004</u>	<u>\$ 7,968,487</u>	<u>\$(7,107,127)</u>	<u>\$12,468,364</u>
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COMPONENT UNITS

Capital assets not being depreciated

Land	\$ 107,200	\$ 0	\$ (9,656)	\$ 97,544
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Capital assets being depreciated

Infrastructure	\$ 135,251	\$ 0	\$ 0	\$ 135,251
Less accumulated depreciation	<u>0</u>	<u>(4,508)</u>	<u>0</u>	<u>(4,508)</u>
Total capital assets being depreciated, net	<u>\$ 135,251</u>	<u>\$ (4,508)</u>	<u>\$ 0</u>	<u>\$ 130,743</u>
Total capital assets, net	<u>\$ 242,451</u>	<u>\$ (4,508)</u>	<u>\$ (9,656)</u>	<u>\$ 228,287</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at June 30, 2006, is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 11,564	Major Streets	\$ 1,040
		Local Streets	40
		State Highway	2,773
		Sewer Fund	5,385
		Water Fund	2,044
		Motor Vehicle Pool	282
Motor Vehicle Pool	7,432	General Fund	1,920
		Major Streets	2,247
		Local Streets	1,260
		State Highway	914
		Sewer Fund	193
		Water Fund	898
	<u>\$ 18,996</u>		<u>\$ 18,996</u>

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (continued)

Interfund transfers during the year consisted of the following:

	Transfer From					
	General Fund	Major Streets	Local Streets	Sewer	Water	Total
Transfer to:						
General Fund	\$ 0	\$ 6,600	\$ 6,600	\$ 25,875	\$ 21,500	\$ 60,575
Major Streets	0	0	111,000	0	0	111,000
Debt Service	0	49,800	0	0	0	49,800
Motor Vehicle Pool	<u>43,398</u>	<u>0</u>	<u>0</u>	<u>4,000</u>	<u>1,000</u>	<u>48,398</u>
Total	<u>\$ 43,398</u>	<u>\$ 56,400</u>	<u>\$117,600</u>	<u>\$ 29,875</u>	<u>\$ 22,500</u>	<u>\$269,773</u>

Transfers are used to (1) account for overhead services provided by the general fund to other funds, (2) move revenues from the fund that statute requires to collect them to the fund that budget requires to expend them, and (3) to provide for future acquisition of assets.

NOTE 7 - LONG-TERM DEBT

The Village issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

Downtown Development Bonds - During the year 1999-2000, the Village issued bonds in the amount of \$450,000 for streetscape improvements in the downtown district. The bond payments are to be made from the tax increment revenues of the DDA; however, they are also backed by the full faith and credit of the Village.

Michigan Transportation Fund Bonds - During the year 1997-98, the Village issued bonds in the amount of \$550,000 for Major Street Fund Projects on Wright Street and South Street.

Revenue Bonds - The Village has three bond issues with GMAC Commercial Mortgage Corp. which funded water and sewer projects. These are revenue bond issues, whereby revenue derived from the utility systems is used to pay the debt service.

USDA Loan - During the year 2005-06, the Village completed construction on a new sewage treatment plant, funded partially by a \$4,065,000 loan from the USDA Rural Development Office.

County Contract - During the year 1995-96, the Village entered into an agreement with the Hillsdale County Board of Public Works to issue \$1,360,000 in bonds for Water Supply System and other improvements.

The following is a summary of changes in long-term debt for the year ended June 30, 2006:

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Primary Government				
<i>Governmental Activities</i>				
Downtown Streetscape Bonds	\$ 370,000	\$ 0	\$ 30,000	\$ 340,000
Michigan Transportation Fund Bonds	350,000	0	35,000	315,000
Compensated Absences	<u>108,490</u>	<u>16,937</u>	<u>0</u>	<u>125,427</u>
Total Governmental Activities	<u>\$ 828,490</u>	<u>\$ 16,937</u>	<u>\$ 65,000</u>	<u>\$ 780,427</u>

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Business-type Activities

Revenue Bonds - Sewer Fund	\$ 285,000	\$ 0	\$ 15,000	\$ 270,000
USDA Loan - Sewer Fund*	4,025,000	0	42,000	3,983,000
Revenue Bonds - Water Fund	229,000	0	20,000	209,000
County Contract - Water Fund	1,185,000	0	35,000	1,150,000
Compensated Absences	<u>30,547</u>	<u>3,205</u>	<u>0</u>	<u>33,752</u>
Total Business-type Activities	<u>\$5,754,547</u>	<u>\$ 3,205</u>	<u>\$ 112,000</u>	<u>\$5,645,752</u>
Total Primary Government Long-Term Debt	<u>\$6,583,037</u>	<u>\$ 20,142</u>	<u>\$ 177,000</u>	<u>\$6,426,179</u>

*Beginning balance restated - see Note 16

Interest rates, maturity dates, and current portions for the above obligations are as follows:

	<u>Interest Rate(s)</u>	<u>Maturity Date</u>	<u>Current Portion</u>
Downtown Streetscape Bonds	5.00 %	5/1/14	\$ 35,000
Michigan Transportation Fund Bonds	4.30 - 5.15%	11/1/12	35,000
Revenue Bonds - Sewer Fund	5.00%	1/1/18	20,000
USDA Loan - Sewage Treatment Plan	4.00%	4/22/44	43,000
Revenue Bonds - Water Fund - Project #1	5.00%	1/1/12	10,000
Revenue Bonds - Water Fund - Project #2	5.00%	1/1/16	10,000
County Contract	4.30% - 5.70%	11/1/15	<u>35,000</u>
			<u>\$ 188,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 70,000	\$ 32,026	\$ 118,000	\$ 264,400
2008	75,000	28,438	161,000	258,805
2009	80,000	24,740	193,000	249,100
2010	85,000	20,636	230,000	238,546
2011	95,000	16,240	234,000	226,925
2012-2016	245,000	20,432	1,178,000	953,526
2017-2021	0	0	419,000	745,805
2022-2026	0	0	461,000	651,855
2027-2031	0	0	577,000	538,020
2032-2036	0	0	717,000	396,180
2037-2041	0	0	892,000	219,780
2042-2043	<u>0</u>	<u>0</u>	<u>432,000</u>	<u>29,160</u>
Total	<u>\$ 650,000</u>	<u>\$ 142,512</u>	<u>\$ 5,612,000</u>	<u>\$ 4,772,102</u>

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 8 - COMPENSATED ABSENCES

Vested or accumulated vacation days and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. The entire compensated absence liability is reported on the government-wide financial statements. Employees of the Village can accumulate vacation pay up to a maximum of 16 to 39 days depending on years of service, and employees have a vested right of 100% of allowable accumulated vacation pay upon termination. Accumulated sick time is vested based on years of service and the vested amount is payable upon termination.

NOTE 9 - PROPERTY TAXES

Real estate and personal property taxes are recorded as revenue in amounts equal to the total taxes levied. The total levy for 2005 was 16.388 mills - 11.7057 mills allocated to General Fund, and 4.6823 mills allocated to Street Funds. The 2005 total state taxable value was approximately \$74,060,000 (\$62,591,000 ad valorem and \$11,469,000 industrial facilities tax). Village properties are assessed as of December 31 (the lien date) - taxes levied July 1 of the succeeding year and are due without interest to September 15. After the final collection date, unpaid real property taxes are added to the county delinquent tax rolls. Personal property taxes unpaid continue to be collected by the Village Treasurer.

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN

The Village of Jonesville provides pension benefits for all of its full-time employees through a defined contribution money purchase plan administered by the International City Managers Association Retirement Corporation (ICMA-RC). All full-time employees are eligible to participate in the plan after 6 months of full-time service. Participants are vested incrementally, with full vesting after four years of continuous full-time service. The Village is required to contribute 5 percent of covered payroll. If the employee makes a voluntary contribution of 5 percent, then the Village contributes an additional 2 percent. The activity in the plan for 2005-06 is as follows:

Asset Value - July 1, 2005	\$ 715,099
Employer Contributions	46,811
Employee Contributions	40,224
Investment Gain (Loss)	54,383
Distributions	<u>(13,785)</u>
Asset Value - June 30, 2006	<u>\$ 842,732</u>

NOTE 11 - SEGMENT INFORMATION

The Village issues separate revenue bonds to finance its water and sewer departments. The fund financial statements report major funds with revenue - supported debt for the water and sewer funds. Services provided by these funds are described in Note 1.

NOTE 12 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Village has purchased commercial insurance for each of these areas of risk and there have been no significant reduction in insurance coverages. Settled claims have not exceeded the amount of insurance coverage for the current or the three prior years.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 13 - UNEMPLOYMENT TAXES

The Village is a reimbursing employer to the Michigan Unemployment Insurance Agency and, as such, is responsible to pay the Agency for those benefits paid and charged to its account. As of June 30, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or not filed.

NOTE 14 - COMMITMENTS

At its June 21, 2006 meeting, the Village Council approved bids totaling \$138,317 for reconstruction of the "south parking lot" and improvements to the "theater park" in the downtown area. These projects will be paid for by the Downtown Development Authority (DDA), along with a Federal grant.

NOTE 15 - SUBSEQUENT EVENTS

Subsequent to June 30, 2006, the Village made an offer to purchase real estate in the Village to move the Police Department from its current location in the Village Hall. The offer was for \$180,000 and was subject to satisfactory results of standard environmental testing.

NOTE 16 - RESTATEMENTS

Beginning net assets of governmental activities were increased \$18,520 to account for infrastructure additions (sidewalks) not recorded as capital assets in the 2003-04 fiscal year.

Beginning net assets of business-type activities (sewer) were increased \$267,600 to account for grant revenue incorrectly recorded as loan proceeds in the 2004-05 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF JONESVILLE
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Property Taxes	\$ 501,000	\$ 509,550	\$ 509,040	\$ (510)
Licenses and Permits	2,000	2,000	1,405	(595)
State Shared Revenue	258,500	258,500	236,700	(21,800)
Grants	0	0	6,671	6,671
Charges and Fees	58,400	70,800	62,275	(8,525)
Recreation	13,300	13,300	16,449	3,149
Rents and Royalties	11,000	11,000	11,305	305
Contributions	5,440	5,440	5,353	(87)
Reimbursements	109,200	109,200	123,025	13,825
Interest	13,000	38,000	38,351	351
Transfers from Component Units	52,200	84,600	88,359	3,759
Miscellaneous	700	45,000	4,396	(40,604)
Total Revenue	<u>\$ 1,024,740</u>	<u>\$ 1,147,390</u>	<u>\$ 1,103,329</u>	<u>\$ (44,061)</u>
EXPENDITURES				
General Government	\$ 644,700	\$ 286,980	\$ 273,840	\$ (13,140)
Public Safety	379,940	386,805	370,014	(16,791)
Public Improvements	45,970	37,820	28,201	(9,619)
Streets, Highways, and Drains	27,100	27,100	22,522	(4,578)
Sanitation	4,700	8,000	7,123	(877)
Culture and Recreation	74,900	101,345	79,291	(22,054)
Fringe Benefits	263,400	281,800	281,033	(767)
Insurance	15,000	16,500	16,343	(157)
Promotions	3,400	13,700	12,831	(869)
Total Expenditures	<u>\$ 1,459,110</u>	<u>\$ 1,160,050</u>	<u>\$ 1,091,198</u>	<u>\$ (68,852)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (434,370)</u>	<u>\$ (12,660)</u>	<u>\$ 12,131</u>	<u>\$ 24,791</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 60,575	\$ 60,575	\$ 60,575	\$ 0
Transfers Out	<u>(48,400)</u>	<u>(89,400)</u>	<u>(43,398)</u>	<u>(46,002)</u>
Total Other Financing Sources (Uses)	<u>\$ 12,175</u>	<u>\$ (28,825)</u>	<u>\$ 17,177</u>	<u>\$ (46,002)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (422,195)</u>	<u>\$ (41,485)</u>	<u>\$ 29,308</u>	<u>\$ 70,793</u>
FUND BALANCES - Beginning	<u>877,122</u>	<u>877,122</u>	<u>877,122</u>	<u>0</u>
FUND BALANCES - Ending	<u>\$ 454,927</u>	<u>\$ 835,637</u>	<u>\$ 906,430</u>	<u>\$ 70,793</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MAJOR STREETS FUND
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
State Shared Revenue	\$ 135,000	\$ 135,000	\$ 133,659	\$ (1,341)
METRO Act	5,000	5,000	6,072	1,072
Grant Revenue	200,000	600,000	622,823	22,823
Interest	1,000	1,000	832	(168)
Total Revenue	<u>\$ 341,000</u>	<u>\$ 741,000</u>	<u>\$ 763,386</u>	<u>\$ 22,386</u>
EXPENDITURES				
Street Construction	\$ 350,800	\$ 865,435	\$ 825,030	\$ (40,405)
Routine Maintenance	64,300	65,165	61,672	(3,493)
Traffic Control	7,340	10,290	9,596	(694)
Winter Maintenance	17,350	17,350	11,365	(5,985)
Administration	6,700	100	61	(39)
Total Expenditures	<u>\$ 446,490</u>	<u>\$ 958,340</u>	<u>\$ 907,724</u>	<u>\$ (50,616)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$(105,490)</u>	<u>\$(217,340)</u>	<u>\$(144,338)</u>	<u>\$ 73,002</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 150,000	\$ 160,000	\$ 111,000	\$ (49,000)
Transfers Out	(49,800)	(56,400)	(56,400)	0
Total Other Financing Sources (Uses)	<u>\$ 100,200</u>	<u>\$ 103,600</u>	<u>\$ 54,600</u>	<u>\$ (49,000)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (5,290)</u>	<u>\$(113,740)</u>	<u>\$ (89,738)</u>	<u>\$ 24,002</u>
FUND BALANCES - Beginning	<u>113,910</u>	<u>113,910</u>	<u>113,910</u>	<u>0</u>
FUND BALANCES - Ending	<u>\$ 108,620</u>	<u>\$ 170</u>	<u>\$ 24,172</u>	<u>\$ 24,002</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
LOCAL STREETS FUND
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Property Taxes	\$ 200,300	\$ 203,300	\$ 203,630	\$ 330
State Shared Revenue	45,000	45,000	42,085	(2,915)
METRO Act	2,000	2,000	1,939	(61)
Contributions	2,150	2,150	2,141	(9)
Transfers from Component Units	29,500	29,500	37,337	7,837
Interest	<u>7,000</u>	<u>7,000</u>	<u>32,968</u>	<u>25,968</u>
Total Revenue	<u>\$ 285,950</u>	<u>\$ 288,950</u>	<u>\$ 320,100</u>	<u>\$ 31,150</u>
EXPENDITURES				
Routine Maintenance	\$ 113,500	\$ 113,500	\$ 66,276	\$ (47,224)
Traffic Control	3,050	3,560	2,906	(654)
Winter Maintenance	14,200	14,200	10,097	(4,103)
Administration	<u>100</u>	<u>100</u>	<u>61</u>	<u>(39)</u>
Total Expenditures	<u>\$ 130,850</u>	<u>\$ 131,360</u>	<u>\$ 79,340</u>	<u>\$ (52,020)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 155,100</u>	<u>\$ 157,590</u>	<u>\$ 240,760</u>	<u>\$ 83,170</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	\$(156,600)	\$(156,600)	\$(117,600)	\$ (39,000)
Other Transactions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>\$(156,600)</u>	<u>\$(156,600)</u>	<u>\$(117,600)</u>	<u>\$ (39,000)</u>
NET CHANGE IN FUND BALANCES	\$ (1,500)	\$ 990	\$ 123,160	\$ 122,170
FUND BALANCES - Beginning	<u>753,880</u>	<u>753,880</u>	<u>753,880</u>	<u>0</u>
FUND BALANCES - Ending	<u>\$ 752,380</u>	<u>\$ 754,870</u>	<u>\$ 877,040</u>	<u>\$ 122,170</u>

The accompanying notes are an integral part of this statement.

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF JONESVILLE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>Special Revenue State Highway Fund</u>	<u>Debt Retirement Debt Service Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 513	\$ 541	\$ 1,054
Investments	0	58,230	58,230
Due from Other Governmental Units	<u>6,227</u>	<u>0</u>	<u>6,227</u>
Total Assets	<u>\$ 6,740</u>	<u>\$ 58,771</u>	<u>\$ 65,511</u>
LIABILITIES			
Accounts Payable	\$ 1,453	\$ 0	\$ 1,453
Due to Other Funds	3,687	0	3,687
Salaries Payable	<u>67</u>	<u>0</u>	<u>67</u>
Total Liabilities	<u>\$ 5,207</u>	<u>\$ 0</u>	<u>\$ 5,207</u>
FUND BALANCE			
Reserved for Debt Retirement	\$ 0	\$ 58,771	\$ 58,771
Unreserved/Undesignated	<u>1,533</u>	<u>0</u>	<u>1,533</u>
Total Fund Balances	<u>\$ 1,533</u>	<u>\$ 58,771</u>	<u>\$ 60,304</u>
Total Liabilities and Fund Balances	<u>\$ 6,740</u>	<u>\$ 58,771</u>	<u>\$ 65,511</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
 COMBINING STATEMENT OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Special Revenue State Highway Fund</u>	<u>Debt Retirement Debt Service Fund</u>	<u>Total</u>
REVENUE			
State Highway Contract	\$ 25,687	\$ 0	\$ 25,687
Transfer from Component Unit	0	51,000	51,000
Interest Income	<u>2</u>	<u>1,688</u>	<u>1,690</u>
Total Revenue	<u>\$ 25,689</u>	<u>\$ 52,688</u>	<u>\$ 78,377</u>
EXPENDITURES			
Routine Maintenance	\$ 12,927	\$ 0	\$ 12,927
Traffic Control	2,552	0	2,552
Winter Maintenance	8,725	0	8,725
Debt Service			
Principal	0	65,000	65,000
Interest	<u>0</u>	<u>35,726</u>	<u>35,726</u>
Total Expenditures	<u>\$ 24,204</u>	<u>\$ 100,726</u>	<u>\$ 124,930</u>
Excess of Revenue Over (Under) Expenditures	\$ 1,485	\$ (48,038)	\$ (46,553)
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>0</u>	<u>49,800</u>	<u>49,800</u>
NET CHANGES IN FUND BALANCES	\$ 1,485	\$ 1,762	\$ 3,247
FUND BALANCES - Beginning	<u>48</u>	<u>57,009</u>	<u>57,057</u>
FUND BALANCES - Ending	<u>\$ 1,533</u>	<u>\$ 58,771</u>	<u>\$ 60,304</u>

The accompanying notes are an integral part of this statement.

SINGLE AUDIT

VILLAGE OF JONESVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/Pass-Through Agency <u>Program Title</u>	<u>CFDA #</u>	Receipts/ Revenue <u>Recognized</u>	Disbursements <u>Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Highway Planning and Construction	20.205	\$ 622,823	\$ 622,823
Community and Highway Safety	20.600	6,671	6,671
U.S. DEPARTMENT OF AGRICULTURE			
Waste and Waste Disposal			
Systems for Rural Communities	10.760	680,800	138,063
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT/ MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY			
Community Development Block Grants/ Small Cities Program	14.219	<u>105,832</u>	<u>105,832</u>
		<u>\$ 1,416,126</u>	<u>\$ 873,389</u>

Bailey, Hodshire
& Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Village Council
Village of Jonesville
Jonesville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Village of Jonesville as of and for the year ended June 30, 2006, which collectively comprise the Village of Jonesville's basic financial statements and have issued our report thereon dated November 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

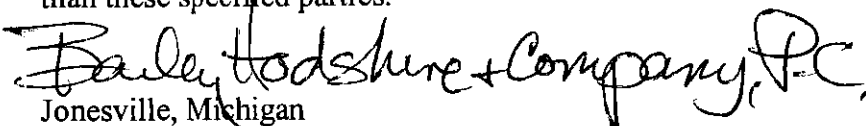
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Jonesville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Jonesville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Jonesville, Michigan
November 8, 2006

Bailey, Hodshire & Company, P.C.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Village Council
Village of Jonesville
Jonesville, Michigan

Compliance

We have audited the compliance of the Village of Jonesville with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Village of Jonesville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Village of Jonesville's management. Our responsibility is to express an opinion on the Village of Jonesville's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Jonesville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village of Jonesville's compliance with those requirements.

In our opinion, the Village of Jonesville complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Village of Jonesville is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Jonesville's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Village Council
Village of Jonesville

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bailey Hodshire + Company, P.C.
Jonesville, Michigan
November 8, 2006

**VILLAGE OF JONESVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Village of Jonesville.
2. No reportable conditions were disclosed during the audit of the financial statements of the Village of Jonesville.
3. No instances of noncompliance material to the financial statements of the Village of Jonesville were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of internal control over major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the Village of Jonesville expresses an unqualified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for the Village of Jonesville that are required to be reported in accordance with Circular A-133.
7. The programs tested as major programs included: Highway Planning and Construction #20.205.
8. The threshold for distinguishing Types A and B programs was \$300,000
9. The Village of Jonesville was determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

No matters were reported.

FINDINGS AND QUESTIONS COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No matters were reported.

VILLAGE OF JONESVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006

Not applicable - no findings in the prior year.